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Arizona Corporation Commission

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Attorneys for Payson Water Co., Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF PAYSON WATER CO., INC., AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANTS AND
PROPERTY AND FOR INCREASES IN ITS
WATER RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

DOCKET NO: W-03514A-13-0111

IN THE MATTER OF THE APPLICATION
OF PAYSON WATER CO., INC., AN
ARIZONA CORPORATION, FOR
AUTHORITY TO: (1) ISSUE EVIDENCE
OF INDEBTEDNESS IN AN AMOUNT
NOT TO EXCEED \$1,238,000 IN
CONNECTION WITH INFRASTRUCTURE
IMPROVEMENTS TO THE UTILITY
SYSTEM; AND (2) ENCUMBER REAL
PROPERTY AND PLANT AS SECURITY
FOR SUCH INDEBTEDNESS.

DOCKET NO: W-03514A-13-0142

**NOTICE OF FILING
SUPPLEMENTAL SUPPORT FOR
MOTION TO CONSOLIDATE
PROCEEDINGS AND REQUEST
FOR EXPEDITED PROCEDURAL
SCHEDULE**

(EXPEDITED RELIEF REQUESTED)

Payson Water Company ("PWC" or the "Company") hereby files two additional documents in support of its motion to consolidate and expedite its financing and rate applications. First, attached hereto and labeled **Exhibit JW-DT1** is a copy of an email to the Company's President (Jason Williamson) from WIFA attaching relevant excerpts from WIFA's Loan Agreement Standard Terms and Conditions. Second, attached hereto and labeled **Exhibit TBJ-DT7** is a schedule reflecting the increase in the revenue requirement necessary to achieve the WIFA requirements. A brief explanation follows.

1 The Company has moved this Commission to grant rate relief by year-end because
2 the TOP-MDC project is an extraordinary opportunity to end hauling water purchased
3 from the Town of Payson. This past summer, water hauling pushed bills for about 7,000
4 gallons of usage up to around \$150 a month.¹ If the TOP-MDC line is in place and
5 operational before next summer, the Company will be able to deliver the same water at a
6 considerably lower cost since there will be no water hauling charges. Additionally, if the
7 Company can proceed to build the TOP-MDC connection now, it can save tens of
8 thousands of dollars by “piggybacking” current construction efforts by the Town’s
9 contractor (for the Cragin Pipeline project). That savings will disappear if the Company
10 has to wait much longer.

11 The request for expedited rate relief is a necessary response to the extraordinary
12 opportunity facing the Company. First, the Company cannot build the TOP-MDC line
13 without WIFA financing.² Second, the Company cannot get WIFA financing without
14 achieving a debt service coverage (DSC) ratio of 1.2. WIFA’s “Standard Terms and
15 Conditions” contain the following requirement:

16 Debt Service Coverage. Achieve, at each fiscal year end a Debt Service
17 Coverage Ratio (“DSC”) of 1.20. For the purposes of this Section, DSC
18 shall be computed by adding net income plus interest expense, depreciation
19 and amortization expenses and dividing the total by the sum of principal
20 and interest payments required during the period. In the computation of net
21 income, gains and losses and any taxes or reduction of taxes resulting from
22 the sale or other disposition or abandonment of capital assets, or from
23 increases or decreases in value of capital assets, or from the retirement or
24 reacquisition or resale or reissuance of debt or capital stock, shall be
25 disregarded.³

24 ¹ See Motion to Consolidate Proceedings and Request for Expedited Procedural Schedule, Exhibit A
25 (“Williamson Dt.”) at p. 3.

26 ² Williamson Dt. at pp. 7-8.

³ Exhibit JW-DT1 at p. 5.

1 And third, the Company cannot achieve a DSC ratio without an almost 60 percent
2 increase in its general revenue requirement.⁴ The Company does not currently have the
3 net income necessary to comply with WIFA's DSC requirement. This means that the
4 nearly 60 percent increase needed in the general revenue requirement is in addition to the
5 requested debt service surcharge and a means to pay for the purchased water.⁵

6 One way to expedite the rate relief the Company needs to borrow from WIFA
7 would be to grant interim rates in the first phase of a two-phase rate proceeding. Staff has
8 already suggested a bifurcated proceeding to address some aspects of the Company's
9 request for expedited relief.⁶ The Commission has the power to authorize interim rates in
10 that phase, so long as certain safeguards are in place.⁷ The Company is well aware of the
11 Commission's workload and the difficulty of expediting a case; it is likewise aware of the
12 Commission's reticence to approve "interim rate relief." However, the unique
13 circumstances and opportunities of this situation warrant the requested use of those
14 powers.

15 Therefore, the Company needs an order of this Commission (1) approving its
16 financing application; and (2) approving rate relief that allows it to cover the new TOP-
17 MDC expenses (debt service and purchased water) and increasing its overall revenue
18 requirement in an amount sufficient to achieve a DSC of at least 1.2. The necessary rate
19 relief can be issued on an interim basis, but it must be issued this year if the Company is
20 to have time to build the TOP-MDC pipeline before next summer. While the Company

21
22 ⁴ Exhibit TBJ-DT7. Notably, a 60 percent increase results in a rate of return equal to negative 7 percent.
Again, this is about pursuing a great opportunity to benefit customers notwithstanding a financial crisis,
23 not putting more cash in shareholders pockets sooner.

24 ⁵ The cost of the water from Payson is currently covered by the Company's water augmentation surcharge.
In talking with staff regarding this matter, it appears that replacing that surcharge with a purchased water
surcharge to allow for recovery of the cost of the water from Payson is preferable.

25 ⁶ Staff's Response to Motion to Expedite at p. 1.

26 ⁷ *Scates v. Arizona Corporation Comm'n*, 118 Ariz. 531, 535, 578 P.2d 612, 616 (App. 1978). See also
RUCO v. Arizona Corporation Comm'n, 199 Ariz. 588, 20 P.3d 1169 (App. 2001).

1 wants to move forward to take advantage of the current window to construct the TOP-
2 MDC pipeline in advance of next summer's augmentation period, absent such relief, the
3 WIFA loan covenants will not allow the Company to move forward until the general rate
4 case and financing approval are completed.

5 RESPECTFULLY SUBMITTED this 30th day of August, 2013.

6 FENNEMORE CRAIG, P.C.

7
8 By

Jay L. Shapiro
2394 E. Camelback Road
Suite 600
Phoenix, Arizona 85016
Attorneys for Payson Water Co., Inc.

12 **ORIGINAL** and thirteen (13) copies
13 of the foregoing were filed
this 30th day of August, 2013, with:

14 Docket Control
15 Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

16 **COPY** of the foregoing was hand delivered
17 this 30th day of August, 2013, to:

18 Chairman Bob Stump
19 Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

20 Commissioner Gary Pierce
21 Arizona Corporation Commission
1200 W. Washington Street
22 Phoenix, AZ 85007

23 Commissioner Brenda Burns
24 Arizona Corporation Commission
1200 W. Washington Street
25 Phoenix, AZ 85007
26

- 1 Commissioner Bob Burns
Arizona Corporation Commission
2 1200 W. Washington Street
Phoenix, AZ 85007
- 3 Commissioner Susan Bitter Smith
4 Arizona Corporation Commission
1200 W. Washington Street
5 Phoenix, AZ 85007
- 6 Dwight D. Nodes
Assistant Chief Administrative Law Judge
7 Arizona Corporation Commission
1200 W. Washington Street
8 Phoenix, AZ 85007
- 9 Steven M. Olea, Director
Utilities Division
10 Arizona Corporation Commission
1200 West Washington
11 Phoenix, Arizona 85007
- 12 John Le Sueur, Assistant Director
Utilities Division
13 Arizona Corporation Commission
1200 W. Washington Street
14 Phoenix, AZ 85007
- 15 Jim Armstrong
Finance, Rates and Accounting
16 Utilities Division
Arizona Corporation Commission
17 1200 West Washington
Phoenix, Arizona 85007
- 18 Robin Mitchell, Esq.
19 Legal Division
Arizona Corporation Commission
20 1200 W. Washington Street
Phoenix, AZ 85007


21
22 By: 
8456606.1/073283.0006

EXHIBIT JW-DT1

From: Angie Valenzuela [<mailto:avalenzuela@azwifa.gov>]
Sent: Wednesday, August 28, 2013 4:01 PM
To: jw@jwwater.net
Subject: DSC Covenant

Jason,

As per our conversation, I am sending you the enclosed attachment. The affirmative covenants are detailed in our Loan Agreement Standard Terms and Conditions, Section 4, item I.

Let me know if you have any other questions.

Angie

Angie R. Valenzuela

Sr. Loan Officer/GADA Project Manager

Water Infrastructure Finance Authority of Arizona (WIFA)

1110 West Washington St., Suite 290

Phoenix, AZ 85007

(602) 364-1313

(602) 364-1327 Fax

avalenzuela@azwifa.gov

www.azwifa.gov

LOAN AGREEMENT STANDARD TERMS AND CONDITIONS

Water Infrastructure Finance Authority of Arizona

This document sets forth the Standard Terms and Conditions applicable to Loans made by the Water Infrastructure Finance Authority of Arizona the ("Lender") to a Borrower. These Standard Terms and Conditions are a part of the Loan Agreement to which this document is attached. Capitalized terms not otherwise defined herein shall have the meanings given them in the Loan Agreement.

Section 1. Repayment; Prepayment.

(a) Loan Repayment Schedule. Borrower shall pay to Lender the amounts shown in the Loan repayment schedule in Exhibit A hereto on or before the dates shown in Exhibit A as the same may be adjusted as provided below to reflect the revised principal repayment schedule of the Loan. At the expiration of the Commitment, if the total amount of the Disbursements is less than the maximum Loan Amount, the amount of each principal installment due as set forth in the Loan repayment schedule contained in Exhibit A shall be adjusted based on (A) the principal balance then outstanding, (B) the amortization schedule as provided in Exhibit A and (C) the Combined Interest and Fee Rate. Upon such adjustment, Lender shall compute the adjusted interest payment amounts for each Interest Payment Date to reflect the adjusted principal amounts and shall enter the results in the Loan repayment schedule and furnish the revised schedule to Borrower.

(b) Prepayment. The Borrower may at any time deliver to the Authority a written request for approval to prepay the principal of the Loan in whole or in part. The request must specify the proposed prepayment date. If the proposed prepayment date is on or after the tenth anniversary of the final loan draw, the Authority will approve prepayment without penalty so long as the request is received at least 60 days before the proposed prepayment date. If the proposed prepayment date is before the tenth anniversary of the final loan draw, the Authority will determine, in its sole discretion, whether to permit such prepayment, when the prepayment may occur and the terms and conditions of any prepayment approval. If the Borrower makes partial prepayments of the unpaid principal under the Loan, the amount of each principal installment due as set forth in the Loan repayment schedule contained in Exhibit A shall be adjusted based on (A) the principal balance then outstanding, (B) the amortization schedule as provided in Exhibit A and (C) the Combined Interest and Fee Rate. Upon such adjustment, Lender shall compute the adjusted interest payment amounts for each Interest Payment Date to reflect the adjusted principal amounts and shall enter the results in the Loan repayment schedule and furnish the revised schedule to Borrower.

(c) Application of Payments. Absent a default under the Note or this Agreement, any payments received by Lender shall be applied first to sums, other than principal and interest, due Lender, next to the payment of all interest accrued to the date of such payment, and the balance, if any, to the payment of principal. Any payments received by Lender after any Event of Default shall be applied to the amounts specified in this paragraph in such order as Lender may, in its sole discretion, elect.

(d) Late Payments. If any payment of interest and/or principal is not received by Lender when such payment is due, then, as additional remedies, (a) a late charge of six percent (6%) of the amount due and unpaid will be added to the delinquent amount for any payment past due in excess of fifteen (15) days and (b) all past due payments of principal and/or interest shall bear interest from their due date until paid at the annual rate equal to the sum of (i) six percent (6%) and (ii) the Interest Rate specified in Exhibit A, payable on demand.

(e) Calculations of Interest. Interest shall be calculated on the actual number of days each Disbursement is outstanding on the basis of a year consisting of 360 days. In calculating interest, the date each Disbursement is made shall be included and the date each such Disbursement is repaid shall be excluded.

(f) Payment on Maturity Date. On the final Principal Repayment Date, Borrower shall make one (1) final payment of principal, accrued and unpaid interest, and all other amounts due and payable hereunder and under all of the Loan Documents.

(h) Title to Property. Borrower holds good and marketable title to all of its real property and owns all of its personal property free and clear of any lien or encumbrance, except the liens and encumbrances specifically identified on Exhibit H.

(i) Financial Statements; No Material Adverse Change; Etc. All financial statements submitted to Lender in connection with the application for the Loan or in connection with this Agreement fairly and fully present the financial condition of Borrower and the results of Borrower's operations for the periods covered thereby, and are prepared in accordance with generally accepted accounting principles for regulated utilities ("GAAP") consistently applied. Since the dates thereof, there has been no material adverse change in the financial condition or operations of Borrower. All budgets, projections, feasibility studies, and other documentation submitted by Borrower to Lender are based upon assumptions that are reasonable and realistic, and as of the date hereof, no fact has come to light, and no event or transaction has occurred, which would cause any assumption made therein not to be reasonable or realistic.

(j) Principal Place of Business; Records. The principal place of business and chief executive office of Borrower and the place where the records required by Subsection (g) of Section 4 hereof are kept is at the business office street address of Borrower shown in Section 1 of the Agreement.

(k) Subsidiaries or Other Related Entities. Borrower has no subsidiary or other related entity, except as Borrower has disclosed on Exhibit H.

(l) Water Rights and System Condition. Borrower has water rights with such amounts, priorities and qualities as are necessary to adequately service Borrower's customers and members. Borrower controls, owns, or has access to all such water rights free and clear of the interest of any third party and has not suffered or permitted any transfer or encumbrance of such water rights, and has not abandoned such water rights, or any of them, nor has done any act or thing which would impair or cause the loss of any such water rights. Borrower's utility facilities reasonably meet present demand in all material respects, are constructed in a good and workmanlike manner, are in good working order and condition, and comply in all respects with applicable laws.

Section 4. Affirmative Covenants. Unless otherwise agreed to in writing by Lender, while this Agreement is in effect, whether or not any Disbursement is outstanding, Borrower agrees to:

(a) Existence as a Legal Entity. Preserve and keep in full force and effect its existence as a legal entity and good standing in the jurisdiction of its organization and formation and its good standing and qualification to transact business in all places required by law.

(b) Compliance with Laws and Agreements. Comply with (i) all Laws, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents; and (ii) all agreements, indentures, mortgages, and other instruments to which it is a party or by which it or any of its property is bound.

(c) Compliance with Environmental Laws. Without limiting the provisions of Subsection (b) above, comply in all material respects with, and cause all persons occupying or present on any properties owned or leased by Borrower to so comply with all Laws relating to environmental protection, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents.

(d) Licenses; Permits; Etc. Duly and lawfully obtain and maintain in full force and effect all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of Borrower's business or which may be otherwise required by law.

(e) Insurance. Maintain insurance with insurance companies or associations acceptable to Lender in such amounts and covering such risks as are usually carried by companies engaged in the same or similar business and similarly situated, and make such increases in the type or amount of coverage as Lender may request. All such policies insuring any collateral provided for herein, shall provide for loss payable clauses or endorsements in form and content acceptable to Lender. At the request of Lender, all policies (or such other proof of compliance with this Section as may be satisfactory) shall be delivered to Lender.

(f) Property Maintenance. Maintain and preserve at all times its property, and each and every part and parcel thereof, in good repair, working order and condition and in compliance with all applicable laws, regulations and orders.

(g) Books and Records. Keep adequate records and books of account in accordance with GAAP consistently applied.

(h) Inspection. Permit Lender or its agents, during normal business hours or at such other times as the parties may agree, to examine Borrower's properties, books, and records, and to discuss Borrower's affairs, finances, operations, and accounts with its respective officers, directors, employees, and independent certified public accountants.

(i) Debt Service Coverage. Achieve, at each fiscal year end a Debt Service Coverage Ratio ("DSC") of 1.20. For the purposes of this Section, DSC shall be computed by adding net income plus interest expense, depreciation and amortization expenses and dividing the total by the sum of principal and interest payments required during the period. In the computation of net income, gains and losses and any taxes or reduction of taxes resulting from the sale or other disposition or abandonment of capital assets, or from increases or decreases in value of capital assets, or from the retirement or reacquisition or resale or reissuance of debt or capital stock, shall be disregarded.

(j) Use of Dividends and Surplus Revenues. Retain all existing capital and retained earnings in the business and retain all revenue which may accumulate over and above that needed to pay operating, maintenance, debt service, and Reserve requirements; or use same to reduce obligations due creditors; or invest same for capital expenditures related directly to Borrower's ability to provide services to users.

(k) Water Rights. Maintain or procure water rights with such amounts, priorities and qualities as are necessary to service adequately Borrower's customers and members, whether riparian, appropriative, or otherwise and whether or not appurtenant and whether groundwater or surface water, any shares of stock and certificates evidencing the same; and all grandfathered groundwater rights under A.R.S. Section 45-401, *et seq.* (collectively, the "Water Rights"). Borrower will continue to control, own or have access to all Water Rights free and clear of the interest of any third party, will not suffer any Transfer of the Water Rights, will not abandon the Water Rights, nor do any act or thing which would impair or cause the loss of any of the Water Rights. For purposes of this paragraph (m) "Transfer" means, respectively, each and all of the following"

(i) Any or all of the Water Rights, or any interest or right of Borrower in or to the Water Rights is conveyed to, or becomes vested in, any person, other than Borrower and Lender, voluntarily or involuntarily;

(ii) The occurrence of any event that results in any option, right of first refusal, other right to acquire, or any other claim, interest, or right in, to, or against, any or all of the Water Rights being held by a person other than Borrower or Lender, whether occurring voluntarily or involuntarily and whether arising by agreement, under any law, ordinance, regulation, or rule (federal, state, or local), or otherwise;

(iii) Any lease or assignment of any of the Water Rights; and

(iv) Borrower enters into any agreement the performance of which would result in a Transfer under any of the clauses (i) through (iii) above, and the consummation of such agreement is not expressly conditional upon the prior written consent of Lender in its sole and absolute discretion.

(l) Operation and Maintenance of System. Borrower shall, in accordance with prudent utility practice, (a) at all times operate the properties of the water system and any business in connection therewith in an efficient manner, (b) maintain its drinking water system in good repair, working order and operating condition, and (c) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to its drinking water system so that at all times the business carried on in connection therewith shall be properly and advantageously conducted.

(m) Disadvantaged Business Enterprises. For Loan Agreements in excess of \$250,000:

The Borrower must follow, document, and maintain documentation of their good faith efforts as listed below to ensure that Disadvantage Business Enterprises (DBEs) have the opportunity to participate in the project by increasing DBE awareness of procurement efforts and outreach.

EXHIBIT TJB-DT7

Payson Water Company
Proposed Debt Recovery Surcharge - Long-Term Debt
Computation

Exhibit

Line
No.

1		
2	STEP 1	
3	[1] Loan Principal	\$ 275,000
4	[2] Interest Rate (annual) ¹	4.00%
5	[3] Term (in years)	20
6	STEP 2	
7	[4] Annual Payment Conversion Factor (from Table A)	0.074891
8	[5] Annual Loan Payment [1] x [4]	\$ 20,595
9	STEP 3	
10	[6] Annual Principal Conversion Factor (from Table A)	0.032891
11	[7] Annual Principal Payment [1] x [6]	\$ 9,045
12	STEP 4	
13	[8] Tax Factor (from Schedule A-1)	1.7246
14	[9] Annual Principal Payment plus Taxes [7] X [8]	\$ 15,599
15	STEP 5	
16	[10] Annual Interest Conversion Factor (from Table A)	0.042000
17	[11] Annual Interest Payment [1] x [10]	\$ 11,000
18	STEP 6	
19	[12] Annual Debt Reserve Payment [5] x 20% ²	\$ 4,047
20	STEP 7	
21	[13] Total Annual Debt Service Revenue Requirement [9] + [11] + [12]	<u>\$ 30,646</u>
22		
23	STEP 8	
24	[14] Number of Current Customers	<u>363</u>

25
26 Computation of Equivalent 5/8 Inch Meters

	Portion of Anticipated Growth	2012 Year-end Customers Mesa Del Caballo	AWWA Meter Flow Factor	Equivalent 5/8 Inch Meters
27				
28				
29				
30	<u>Meter Size</u>			
31	5/8 Inch	99.72% 362	1.0	362
32	3/4 Inch	0.28% 1	1.5	2
33	1 Inch	0.00% -	2.5	-
34	1 1/2 Inch	0.00% -	5.0	-
35	2 Inch	0.00% -	8.0	-
36	3 inch	0.00% -	16.0	-
37	4 Inch	0.00% -	25.0	-
38	6 Inch	0.00% -	50.0	-
39	8 Inch	0.00% -	80.0	-
40	10 Inch	0.00% -	115.0	-
41	12 Inch	0.00% -	215.0	-
42	Totals	<u>100.00% 363</u>		<u>364</u>

43
44 [15] Total Equivalent 5/8 Inch Meters 364

45
46 **STEP 9**

47		
48	[16] Annual Debt Service Revenue Requirement = [13]	\$ 30,646
49		
50	[17] Annual Debt Recovery Surcharge for Equivalent 5/8 Inch Metered Customer (rounded) [16] / [15]	\$ 84
51		
52	[18] Monthly Debt Recovery Surcharge for Equivalent 5/8 Inch Metered Customer before tax (rounded) [17] / 12	\$ 7.00
53		

54 **STEP 10**

55 Debt Recovery Surcharge by Meter Size

56	<u>Meter Size</u>	
57	5/8 Inch	\$ 7.00
58	3/4 Inch	\$ 10.50 Scaled on 5/8 meter flow
59	1 Inch	\$ 17.50 Scaled on 5/8 meter flow
60	1 1/2 Inch	\$ 35.00 Scaled on 5/8 meter flow
61	2 Inch	\$ 56.00 Scaled on 5/8 meter flow
62	3 inch	\$ 112.00 Scaled on 5/8 meter flow
63	4 Inch	\$ 175.00 Scaled on 5/8 meter flow
64	6 Inch	\$ 350.00 Scaled on 5/8 meter flow
65	8 Inch	\$ 560.00 Scaled on 5/8 meter flow
66	10 Inch	\$ 805.00 Scaled on 5/8 meter flow
67	12 Inch	\$ 1,505.00 Scaled on 5/8 meter flow
68		

Payson Water Company
Test Year Ended December 31, 2012
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Interim Schedule A-1
Page 1
Witness: Bourassa

Line No.		
1	Fair Value Rate Base	\$ 655,475
2		
3	Adjusted Operating Income	(170,223)
4		
5	Current Rate of Return	-25.97%
6		
7	Required Operating Income for 1.2 DSC (see Note A)	\$ (50,446)
8		
9	Computed Required Operating Margin	-9.04%
10		
11	Computed Return on Fair Value Rate Base	-7.70%
12		
13	Operating Income Deficiency	\$ 119,777
14		
15	Gross Revenue Conversion Factor	1.7246
16		
17	Increase in Gross Revenue	
18	Requirement	\$ 206,569
19		
20	Adjusted Test Year Revenues	\$ 351,171
21	Increase in Gross Revenue Revenue Requirement	\$ 206,569
22	Proposed Revenue Requirement	\$ 557,740
23	% Increase	58.82%
24		
25		
26	<u>Note A - Computation of Required Operating Income</u>	
27		
28	Debt Service on \$275,000 loan, 20 yr. at 4% (principal and interest, no debt reserve)	\$ 20,235
29	Required Debt Service Coverage Ratio	1.20
30	Required Earning before Interest, Taxes, Depreciation and Amortization (EBITDA)	\$ 24,282
31		
32	Required EBITDA (from above)	\$ 24,282
33	Less: Income Taxes at Proposed rates (from C-1)	10,904
34	Less: Depreciation (from C-1)	(85,632)
35	Required Operating Income	\$ (50,446)
36		

Payson Water Company
Test Year Ended December 31, 2012
Income Statement

Exhibit
Interim Schedule C-1
Page 2.1
Witness: Bourassa

Line No.	1	2	3	4	5
	Test Year	Property	Rate	Revenue	SV/QV
	Book	Taxes	Case Expense	Annualization	Revenue/Expense
	Results	Depreciation			Adjustments
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
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43					

¹ Debt Service Surcharge revenues includes principal, interest, and debt reserve payment on 20 year loan, 4% interest rate, \$275,000 original principal, plus i

SUPPORTING SCHEDULES:

C-2
E-2

Payson Water Company
Test Year Ended December 31, 2012
Income Statement

Exhibit
Interim Schedule C-1
Page 2.2
Witness: Bourassa

Line No.	Revenues	6 MDC Water Augmentation Surcharge Adjustments	7 Remove Other Inc./Exp.	8 Debt Surcharge Revenues ¹	9 Income Taxes	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	Metered Water Revenues					\$ 313,559	\$ 206,569	\$ 520,128
2	Unmetered Water Revenues					-	-	-
3	Other Water Revenues	(37,297)		30,646		37,612		37,612
4		(37,297)	\$ -	\$ 30,646	\$ -	\$ 351,171	\$ 206,569	\$ 557,740
5								
6	Operating Expenses							
7	Salaries and Wages					\$ 55,097	\$	\$ 55,097
8	Purchased Water	(51,953)				-	-	-
9	Purchased Power					50,533		50,533
10	Fuel For Power Production					-	-	-
11	Chemicals					2,181		2,181
12	Repairs and Maintenance					28,089		28,089
13	Office Supplies and Expense					-	-	-
14	Contractual Services					58,481		58,481
15	Water Testing					11,000		11,000
16	Rents					-	-	-
17	Transportation Expenses					-	-	-
18	Insurance - General Liability					-	-	-
19	Insurance - Health and Life					266		266
20	Reg. Comm. Exp. - Other					-	-	-
21	Reg. Comm. Exp. - Rate Case					65,000		65,000
22	Miscellaneous Expense					235,253		235,253
23	Depreciation and Amortization Expense					85,632		85,632
24	Taxes Other Than Income					-	-	-
25	Property Taxes					23,040	4,518	27,558
26	Income Tax					(93,178)	82,274	(10,904)
27								
28	Total Operating Expenses	(51,953)	\$ -	\$ -	\$ (93,178)	\$ 521,394	\$ 86,792	\$ 608,186
29	Operating Income	14,656	\$ -	\$ 30,646	\$ 93,178	\$ (170,223)	\$ 119,777	\$ (50,446)
30	Other Income (Expense)							
31	Interest Income		(610)			-	-	-
32	Other Income		14			(9,235)		(9,235)
33	Interest Expense					-	-	-
34	Other Expense					-	-	-
35	Gain(loss) on Disposal of Fixed Assets		(755,709)			-	-	-
36	Total Other Income (Expense)	-	\$ (755,709)	\$ (9,235)	\$ -	\$ (9,235)	\$ -	\$ (9,235)
37	Net Profit (Loss)	14,656	\$ (756,305)	\$ 21,411	\$ 93,178	\$ (179,458)	\$ 119,777	\$ (59,681)
38								

¹ Debt Service Surcharge revenues includes income taxes on annual principal payment.

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

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